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The Changing Shape of State Spending

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The Changing Shape of State Spending

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Overview

- Major areas of state spending
- Changes in the past decade across key policy areas in the South
 - K-12 Education
 - Medicaid
 - Higher Education
 - Transportation
- Other long term pressures on budget
 - Pension and OPEB liabilities
 - Impact of federal retrenchment on state and local finances

Average SLC State Per Capita Spending 2000 v. 2010 by Category
(in 2010 Dollars*)

Category	2000 Share		2010 Share		% Change
Education	\$1,532	39%	\$1,876	39%	22%
Public welfare	\$914	23%	\$1,367	28%	50%
Hospitals	\$173	4%	\$232	4%	34%
Health	\$140	4%	\$160	3%	14%
Highways	\$368	9%	\$369	7%	0%
Police protection	\$43	1%	\$43	1%	-1%
Correction	\$137	4%	\$137	3%	-1%
Natural resources	\$78	2%	\$72	1%	-7%
Parks and recreation	\$23	1%	\$21	0%	-8%
Governmental administration**	\$131	3%	\$150	3%	15%
Interest on general debt	\$90	2%	\$101	2%	13%
Other and unallocable	\$291	7%	\$409	8%	40%
Total General Expenditures	\$3,920		\$4,938		26%

Source: US Census 2010 Annual Survey of State Government Finances. Table shows "General Expenditures" not all expenditures which would include utilities, liquor store expenditures, and insurance trust. *Uses national GDP price deflator to adjust for inflation
**2010 Census added judicial and legal to this category.

Average SLC State Per Capita Spending 2000 v. 2010 by Function
(in 2010 Dollars*)

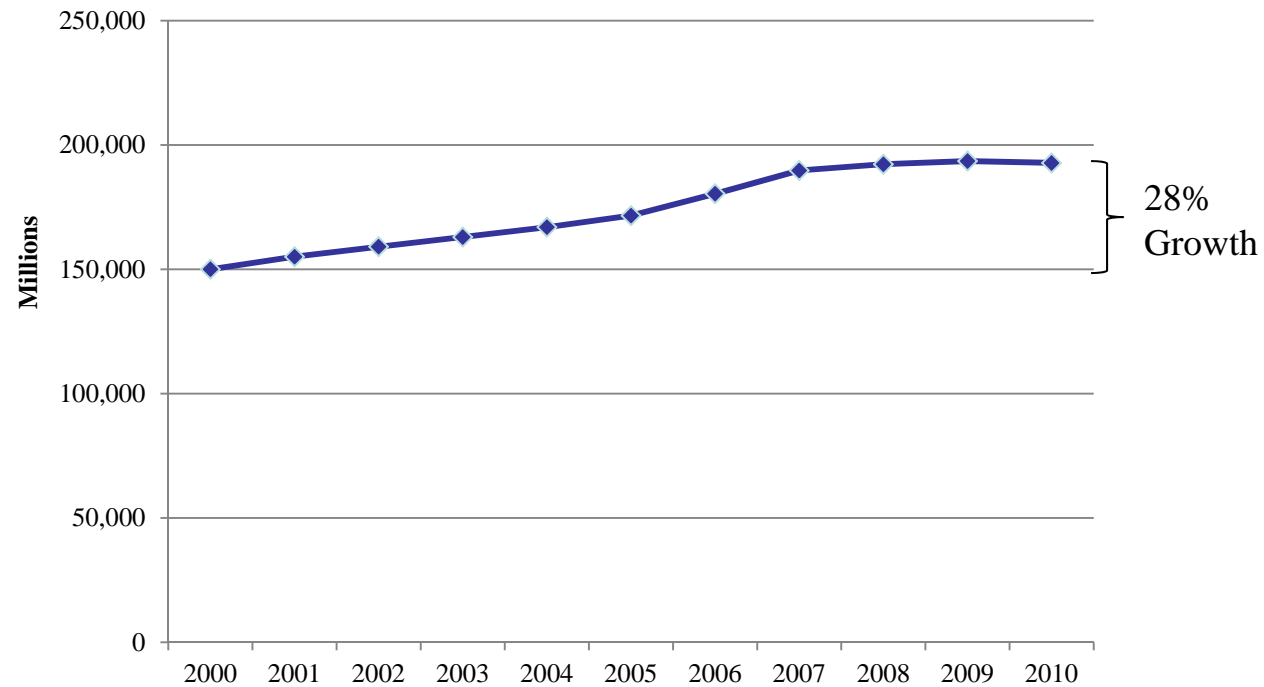
	2000 Share		2010 Share		% Change
Total expenditure	\$4,322		\$5,790		34%
Intergovernmental expenditure	\$1,131		\$1,290		14%
Direct expenditure	\$3,192		\$4,500		41%
Current operation	\$2,264	71%	\$3,076	68%	36%
Capital outlay	\$368	12%	\$396	9%	7%
Insurance benefits and repayments	\$366	11%	\$797	18%	118%
Assistance and subsidies	\$98	3%	\$124	3%	27%
Interest on debt	\$95	3%	\$106	2%	12%
Exhibit: Salaries and wages	\$715		\$752		5%

Source: US Census 2010 Annual Survey of State Government Finances.

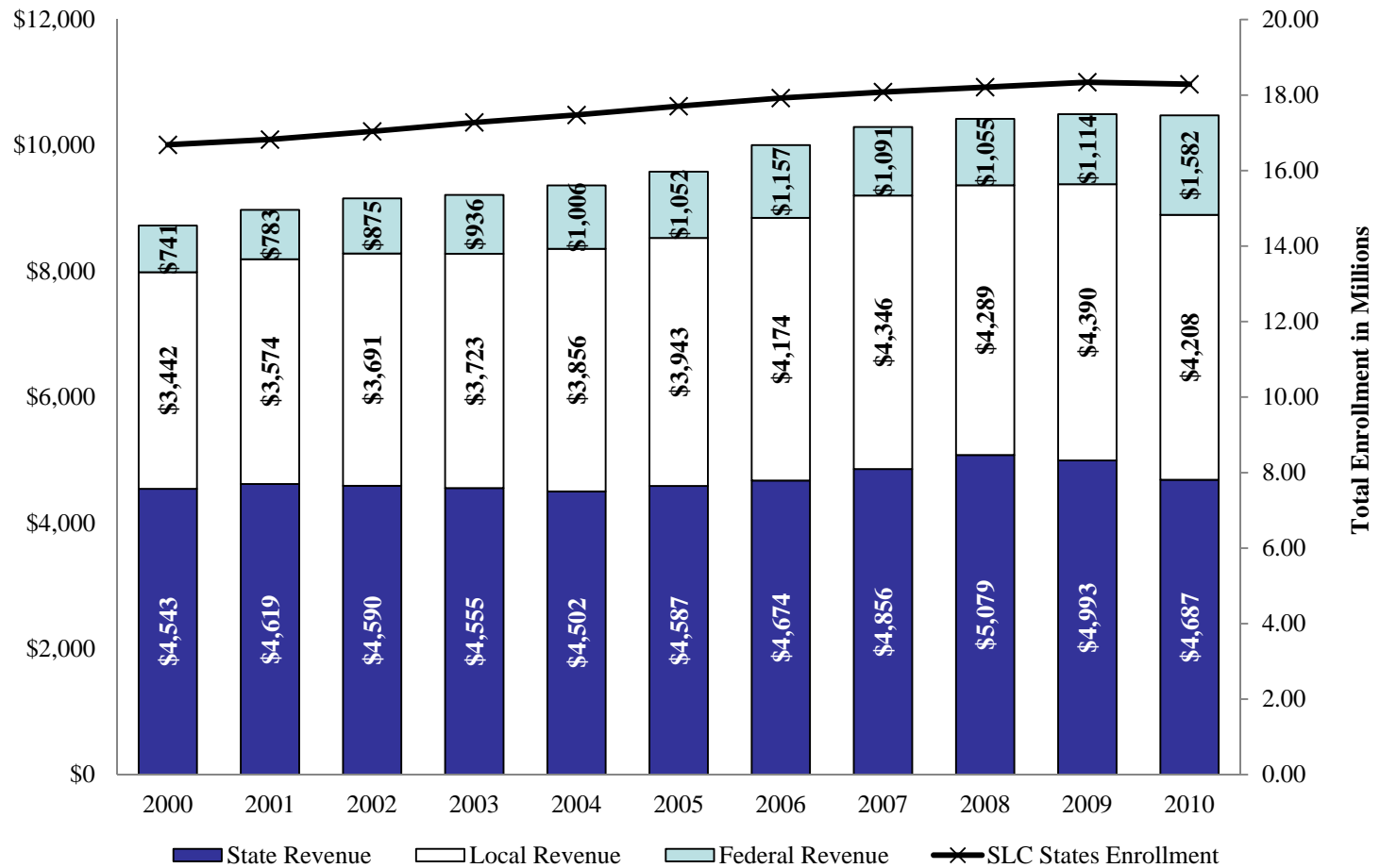
*Uses national GDP price deflator to adjust for inflation

K-12 EDUCATION

Total Real Revenues for K-12 Education SLC States (2010 Dollars)



Real Per FTE Revenues by Type for "Average" SLC State and Total Enrollments (2010 Dollars)



Real Per FTE K12 Education Revenues for the Average SLC State
(in 2010 Dollars)

Trend Between 2000 and 2010 in Per Pupil Revenues

Revenue Level	2000	Share of Total	2010	Share of Total	Percent Change
Local	\$3,442	39.44%	\$4,208	40.16%	22.26%
State	\$4,543	52.06%	\$4,687	44.74%	3.17%
Federal	\$741	8.50%	\$1,582	15.10%	113.38%
Total	\$8,726		\$10,477		20.06%
Total Enrollment for SLC States (millions)	16.68		18.28		10%

Calculations are from revenue figures provided by the US Census F-33 Financial Survey and represent a per state average amount over 15 SE States (AL, AR, FL, GA, KY, LA, MS, MO, NC, OK, SC, TN, TX, VA, and WV); Table uses national GDP price deflator to adjust for inflation.

State Comparisons 2000-2010
(in 2010 Dollars)

	State Enroll- ment Growth	State Revenue Per FTE Growth	Local Revenue Per FTE Growth	Federal Revenue Per FTE Growth	Overall Revenue Per FTE Growth	Overall Revenue Per FTE 2000	Rank in 2000	Overall Revenue Per FTE 2010	Rank in 2010	Change in Rank
Alabama	3%	-3%	24%	105%	15%	8,475	10	9,724	12	-2
Arkansas	5%	55%	-30%	132%	34%	7,994	12	10,677	9	3
Florida	11%	-33%	34%	115%	7%	9,355	4	9,986	11	-7
Georgia	17%	-16%	13%	147%	8%	9,967	1	10,745	6	-5
Kentucky	5%	5%	26%	101%	21%	8,483	9	10,242	10	-1
Louisiana	-12%	27%	53%	149%	51%	8,073	11	12,191	1	10
Mississippi	-2%	12%	30%	106%	31%	6,958	15	9,086	13	2
Missouri	-2%	13%	0%	163%	15%	9,255	6	10,687	8	-2
North- Carolina	13%	-13%	97%	115%	27%	9,084	7	11,510	3	4
Oklahoma	4%	-7%	30%	54%	12%	7,891	13	8,843	14	-1
South- Carolina	7%	3%	28%	113%	22%	8,909	8	10,840	5	3
Tennessee	7%	16%	5%	75%	16%	7,453	14	8,654	15	-1
Texas	19%	-1%	12%	116%	15%	9,273	5	10,694	7	-2
Virginia	10%	5%	22%	124%	20%	9,965	2	12,003	2	0
West-Virginia	-3%	0%	20%	99%	15%	9,764	3	11,275	4	-1

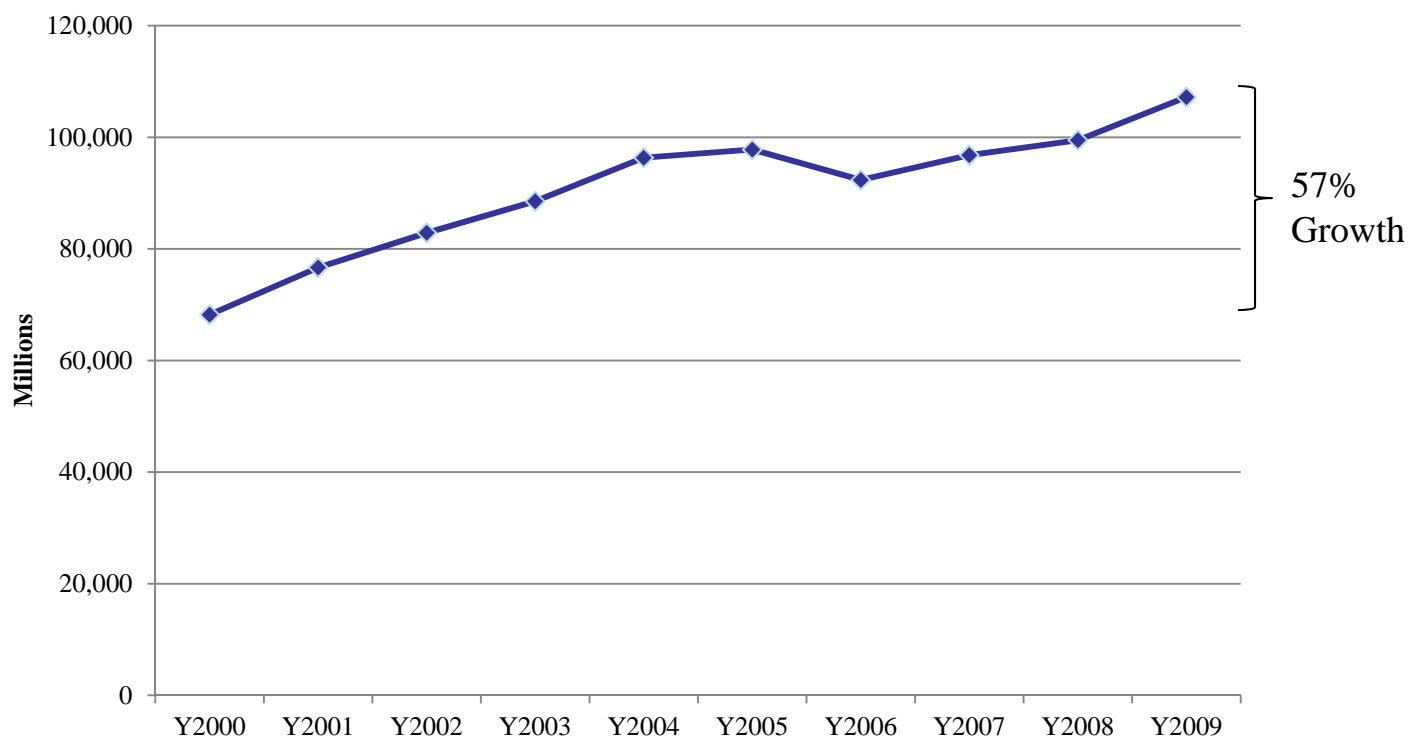
Calculations from revenue figures provided by the US Census F-33 Financial Survey. Table uses national GDP price deflator to adjust for inflation.

Key Themes

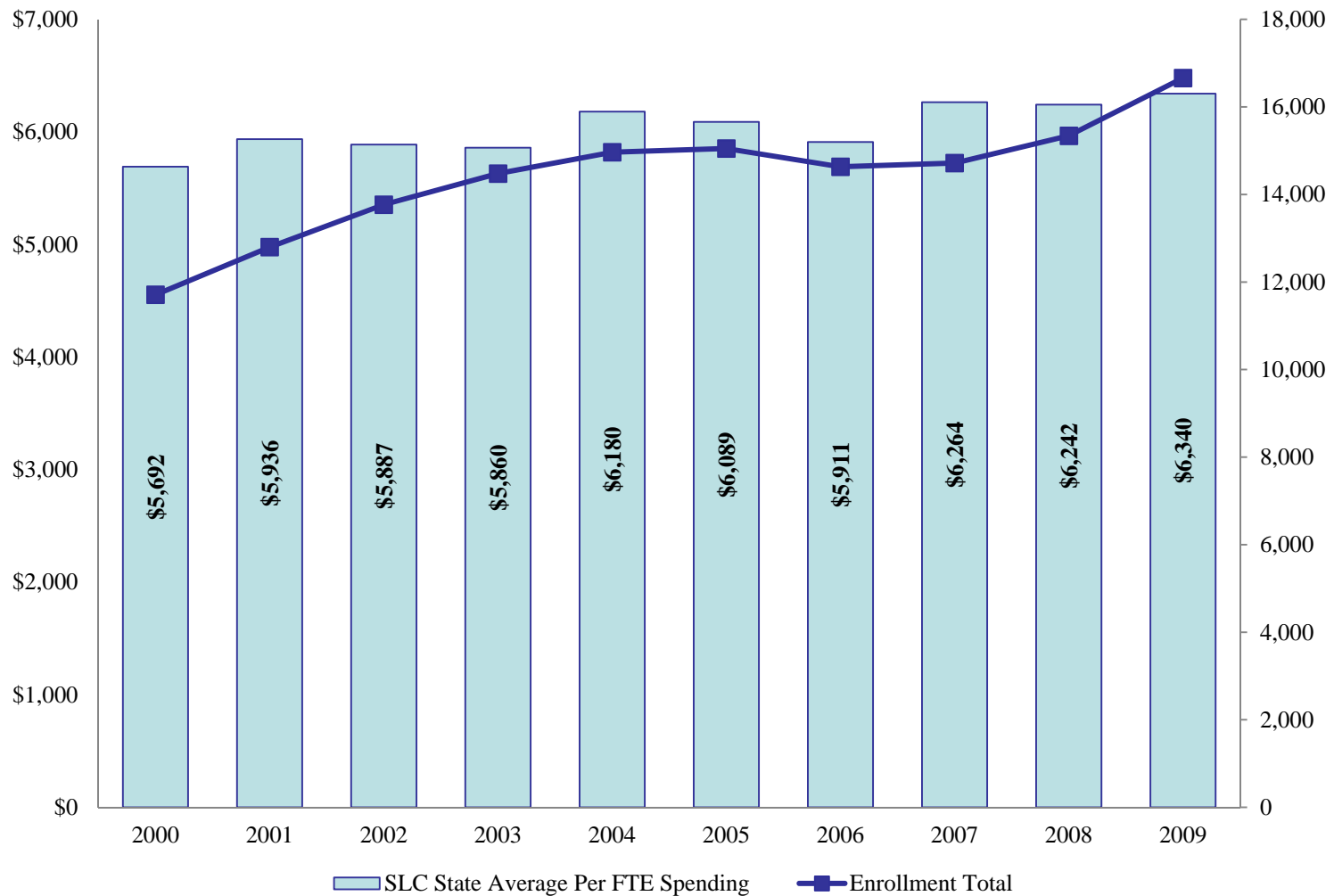
- Overall a growing investment in K-12 education
- Increasing reliance on local and federal funding for education, but fiscal stress at the local level will impact education funding going forward
- National effort to increase student achievement (No Child Left Behind) with increased demands on schools

MEDICAID

Total Real Expenditures for Medicaid SLC States (2009 Dollars)



Real Per Enrollee Expenditures for the "Average" SLC State and Total Enrollment Growth (2009 Dollars)



Real Per Enrollee Expenditures by Fund Source for the Average SLC State
(in 2009 Dollars)

Fund Source	Trend Between 2000 and 2009 in Per Enrollee Expenditures by Fund Source				
	2000	Share of Total	2009	Share of Total	Percent Change
State/Local	\$1,945	34.17%	\$2,012	31.73%	3.45%
Federal	\$3,747	65.83%	\$4,328	68.27%	15.50%
Total	\$5,692		\$6,340		11.38%
Enrollment Total for SLC States (millions)	11.7		16.7		42.26%

Revenue figures are from CMS estimates of per enrollee spending in Medicaid. Enrollment numbers are from counts of enrollments from December of each year. State and federal estimates are derived from FMAP annual shares for each state. The numbers represent a per state average amount over 15 SE States (AL, AR, FL, GA, KY, LA, MS, MO, NC, OK, SC, TN, TX, VA, and WV). Inflation adjustment is made using GDP Price Deflator.

State Comparisons 2000-2009
(in 2009 Dollars)

	Overall Growth in Expenditures	Enrollee Growth	Growth in Per Enrollee Expenditures	Per Enrollee Exp. 2000	Rank in 2000	Per Enrollee Exp. 2009	Rank in 2009	Change in Rank
Alabama	33%	37%	-6%	5,432	9	5,086	14	-5
Arkansas	75%	50%	23%	4,767	14	5,871	10	4
Florida	62%	59%	14%	5,151	10	5,855	11	-1
Georgia	28%	57%	-18%	5,892	7	4,835	15	-8
Kentucky	36%	30%	2%	6,959	1	7,089	3	-2
Louisiana	79%	47%	15%	5,520	8	6,371	8	0
Mississippi	51%	24%	17%	4,983	11	5,850	12	-1
Missouri	52%	16%	30%	6,436	5	8,398	1	4
North Carolina	61%	48%	6%	6,868	2	7,275	2	0
Oklahoma	90%	51%	26%	4,955	13	6,265	9	4
South Carolina	55%	15%	33%	4,981	12	6,606	6	6
Tennessee	19%	-11%	26%	4,092	15	5,150	13	2
Texas	85%	80%	2%	6,323	6	6,469	7	-1
Virginia	62%	59%	10%	6,455	4	7,088	4	0
West Virginia	38%	27%	5%	6,561	3	6,886	5	-2

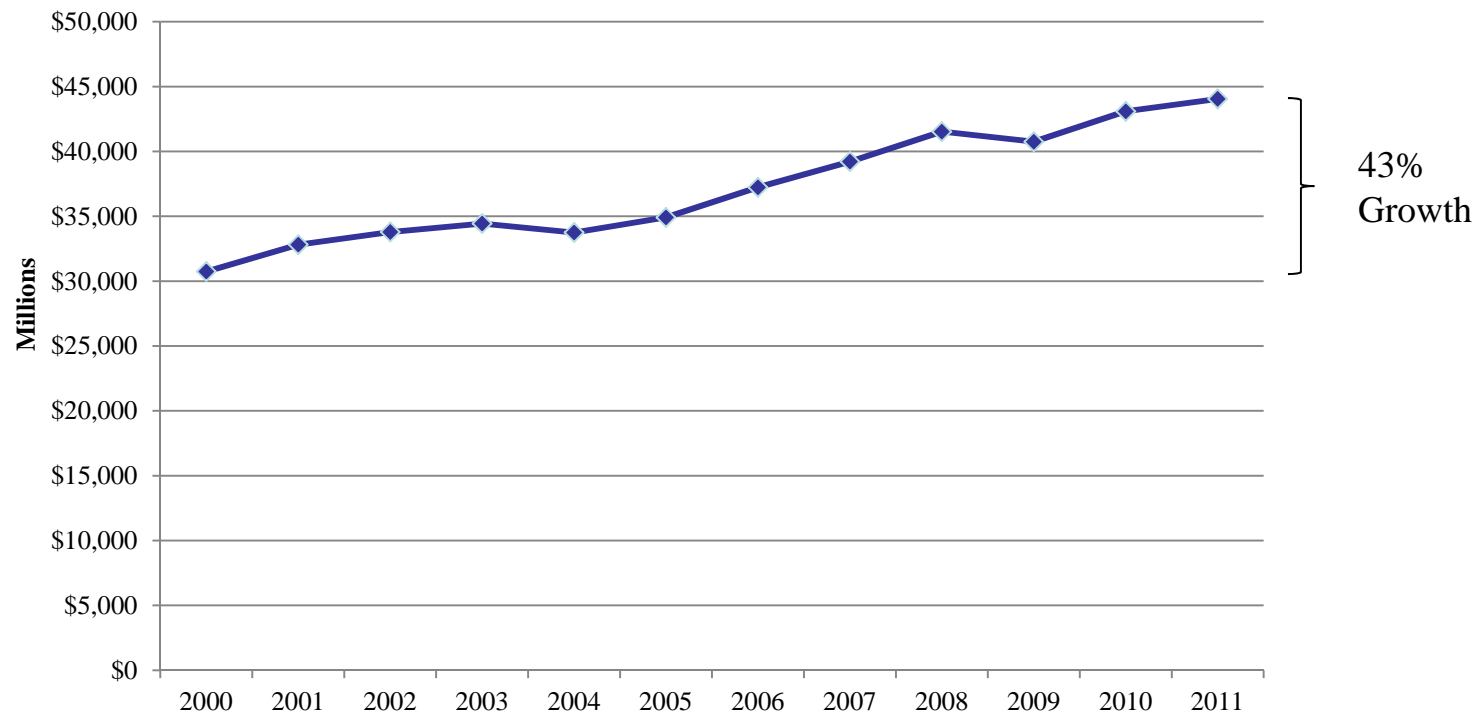
Revenue figures are from CMS estimates of total spending in Medicaid. Enrollee estimates are based on December enrollment counts. Table uses national GDP price deflator to adjust for inflation.

Key Themes

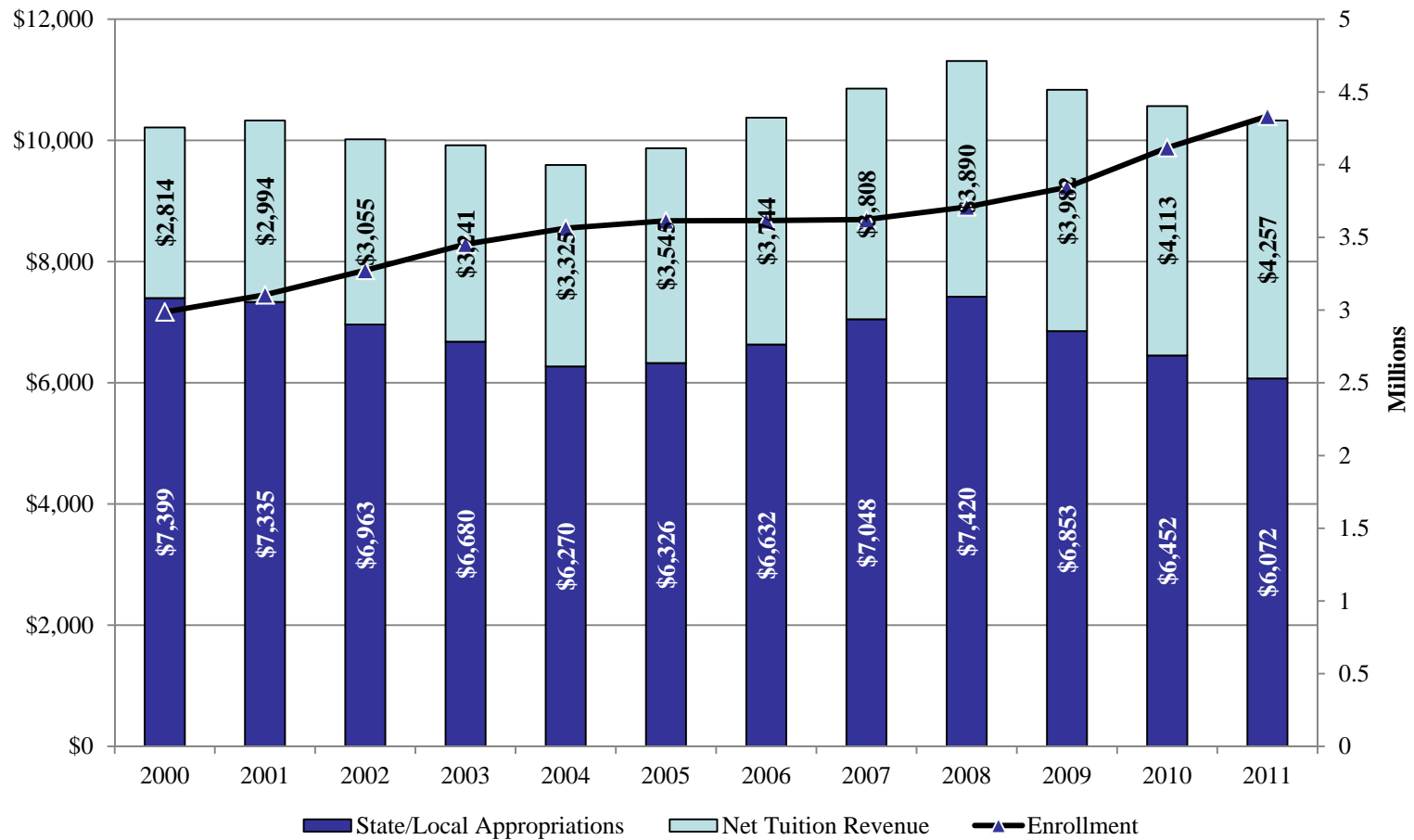
- Rapid growth is putting pressure on other areas of budget
- Health care reform will expand Medicaid although the federal government will primarily finance this change
- Significant state efforts to control costs through movement to managed care, changing reimbursement structures, and measures to control enrollment growth and monitor eligibility more carefully

HIGHER EDUCATION

Total Real Revenues for Higher Education SLC States (2011 Dollars)



Real Per FTE Higher Education Revenues for the Average SLC State and Total Enrollment (2011 Dollars)



Real Per FTE Revenues for the Average SLC State
(in 2011 Dollars)

Trend Between 2000 and 2011					
Fund Source	2000	Share of Total	2011	Share of Total	Percent Change
State/Local Appropriations	\$7,399	72.45%	\$6,072	58.79%	-17.94%
Tuition	\$2,814	27.55%	\$4,257	41.21%	51.27%
Total	\$10,213		\$10,328		1.13%
Total Enrollment in SLC States (millions)	2.99		4.33		45.07%

Revenue figures are from State Higher Education Executive Officers Association, State Higher Education Finance Report. Numbers are adjusted using a GDP Price Deflator to make them comparable to other budgetary numbers in this presentation. The numbers represent a per state average amount over 15 SE States (AL, AR, FL, GA, KY, LA, MS, MO, NC, OK, SC, TN, TX, VA, and WV).

Change in Real Revenues per Student 2000-2011

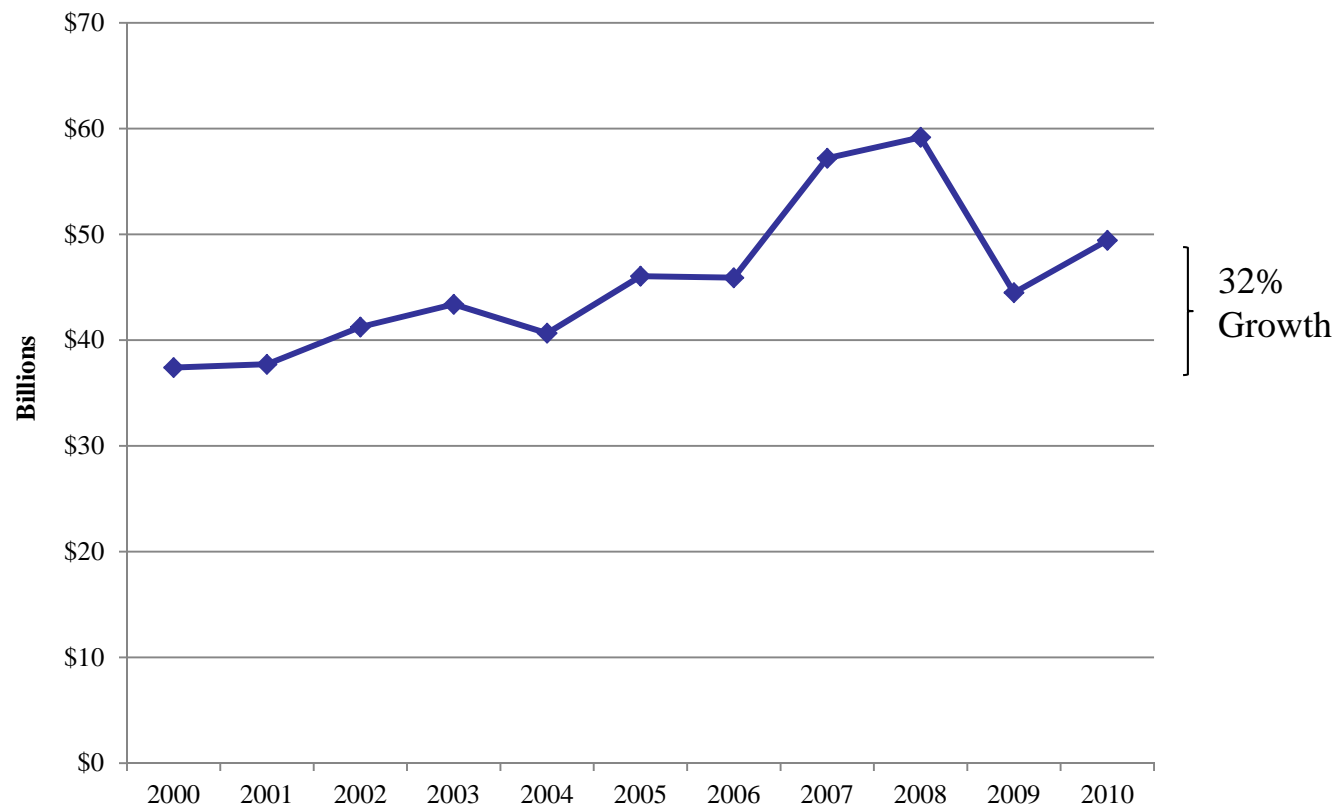
	State/ Local Appropriations per FTE	Tuition Per FTE	Overall Spending Per FTE	Student Growth	Overall Funding Per FTE 2000	Rank in 2000	Overall Funding Per FTE 2011	Rank in 2011	Change in Rank
Alabama	-15%	64%	16%	28%	\$10,242	8	\$11,906	1	7
Arkansas	-16%	99%	10%	44%	\$8,969	12	\$9,890	10	2
Florida	-24%	14%	-14%	60%	\$9,518	10	\$8,149	15	-5
Georgia	-44%	2%	-37%	123%	\$14,314	1	\$9,077	14	-13
Kentucky	-25%	36%	-6%	41%	\$12,321	2	\$11,527	3	-1
Louisiana	17%	29%	20%	8%	\$7,868	15	\$9,438	13	2
Mississippi	-31%	52%	-10%	36%	\$10,587	5	\$9,502	12	-7
Missouri	-28%	72%	-1%	17%	\$11,309	4	\$11,197	5	-1
North Carolina	-4%	23%	1%	64%	\$11,320	3	\$11,461	4	-1
Oklahoma	-13%	259%	21%	26%	\$8,265	14	\$9,964	9	5
South Carolina	-27%	73%	9%	37%	\$9,232	11	\$10,042	8	3
Tennessee	4%	17%	9%	25%	\$9,691	9	\$10,516	7	2
Texas	-2%	19%	5%	44%	\$10,270	7	\$10,761	6	1
Virginia	-25%	80%	10%	38%	\$10,568	6	\$11,655	2	4
West Virginia	-10%	49%	13%	29%	\$8,722	13	\$9,839	11	2

Major Trends

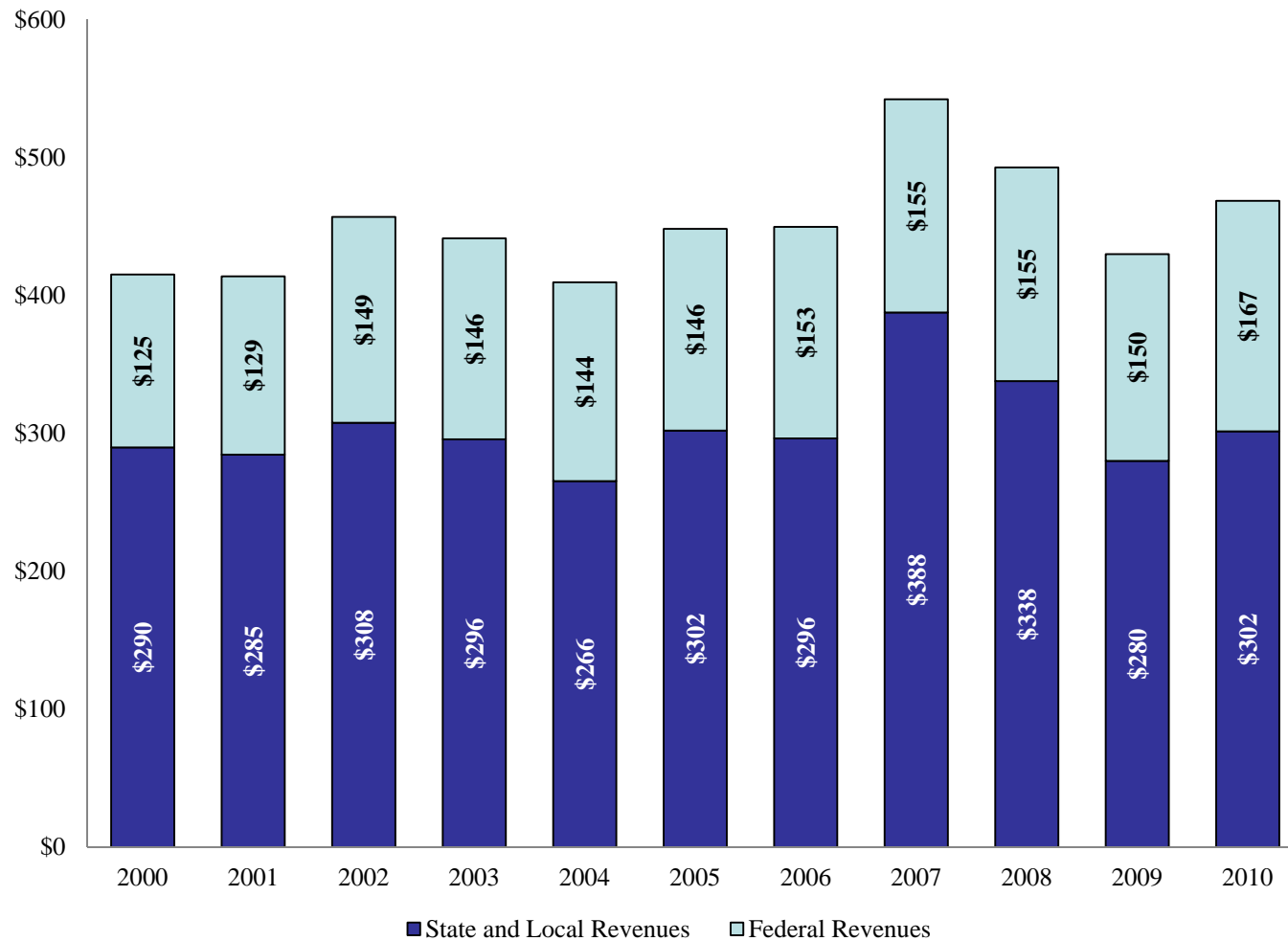
- Increasing reliance on tuition revenue and declining state support
- Overall funding shows slight growth on a per student inflation adjusted basis
- Increased demand for higher education
- Potential shift to on-line classrooms and on-line learning

TRANSPORTATION: HIGHWAYS

SLC State Total Real Revenues for Transportation (2010 Dollars)



Real Per Capita Highway Revenues for the Average SLC State (in 2010 Dollars)



Real Per Capita Highway Revenues for the Average SLC State (in 2010 Dollars)

Fund Source	Trend Between 2001 and 2010 in Per Capita Revenues				
	2000	Share of Total	2010	Share of Total	Percent Change
State/Local	\$290	69.83%	\$302	64.35%	4.02%
Federal	\$125	30.17%	\$167	35.65%	33.35%
Total	\$415		\$469		12.87%

Revenue figures are from Federal Highway Administration form SF-1. The numbers represent a per state average amount over 15 SE States (AL, AR, FL, GA, KY, LA, MS, MO, NC, OK, SC, TN, TX, VA, and WV). Inflation adjustment is made using GDP Price Deflator.

Change in Real Revenues per Capita 2000-2010 (in 2010 dollars)

	State/ Local	Federal	Overall	Overall Funding per Capita 2000	Rank in 2000	Overall Funding per Capita 2010	Rank in 2010	Change in Rank
Alabama	-3%	31%	12%	\$355	9	\$396	12	-3
Arkansas	-9%	32%	2%	\$484	4	\$496	6	-2
Florida	49%	22%	42%	\$318	12	\$452	8	4
Georgia	-25%	30%	-3%	\$282	14	\$272	15	-1
Kentucky	9%	5%	7%	\$516	2	\$555	4	-2
Louisiana	49%	58%	52%	\$353	10	\$537	5	5
Mississippi	-24%	76%	7%	\$407	7	\$435	10	-3
Missouri	33%	27%	31%	\$455	6	\$596	2	4
North Carolina	21%	-22%	9%	\$406	8	\$442	9	-1
Oklahoma	-12%	139%	23%	\$477	5	\$586	3	2
South Carolina	37%	33%	36%	\$271	15	\$368	13	2
Tennessee	-22%	38%	-3%	\$316	13	\$305	14	-1
Texas	30%	-8%	18%	\$338	11	\$398	11	0
Virginia	-5%	24%	0%	\$485	3	\$485	7	-4
West Virginia	-23%	28%	-8%	\$767	1	\$707	1	0

Revenue figures are from Federal Highway Administration form SF-1. Inflation adjustment is made using GDP Price Deflator.

Major Themes

- Some growth in overall funding, slight growth in state and local funds but major growth is coming from increases in federal funds
- Likely declines in federal contributions in the future
- Escalating maintenance costs of existing infrastructure

OTHER PRESSURES

Pension Liability

Pension Liabilities in 2009

	Pension Liability	% Funded	Unfunded Liability	Unfunded Liability per Capita
Alabama	\$41,634,554	74%	\$10,824,984	\$2,265
Arkansas	\$22,698,906	78%	\$4,993,759	\$1,713
Florida	\$141,485,280	84%	\$22,637,645	\$1,204
Georgia	\$79,898,410	87%	\$10,386,793	\$1,072
Kentucky	\$35,686,737	58%	\$14,988,430	\$3,454
Louisiana	\$39,657,924	60%	\$15,863,170	\$3,499
Mississippi	\$31,386,747	67%	\$10,357,627	\$3,491
Missouri	\$55,314,996	79%	\$11,616,149	\$1,940
North Carolina	\$76,976,542	97%	\$2,309,296	\$242
Oklahoma	\$34,815,244	57%	\$14,970,555	\$3,991
South Carolina	\$42,050,701	69%	\$13,035,717	\$2,818
Tennessee	\$35,198,741	90%	\$3,519,874	\$555
Texas	\$155,679,204	84%	\$24,908,673	\$991
Virginia	\$69,135,000	80%	\$13,827,000	\$1,728
West Virginia	\$14,266,419	56%	\$6,277,224	\$3,388
US State Average		76%		\$2,419
SLC State Average		75%		\$2,157

Source: The Pew Center on the States, The Widening Gap: The Great Recession's Impact on State Pension and Retiree Health Care Costs, April 2011.

Retiree Health Insurance Liability

OPEB Liabilities in 2009

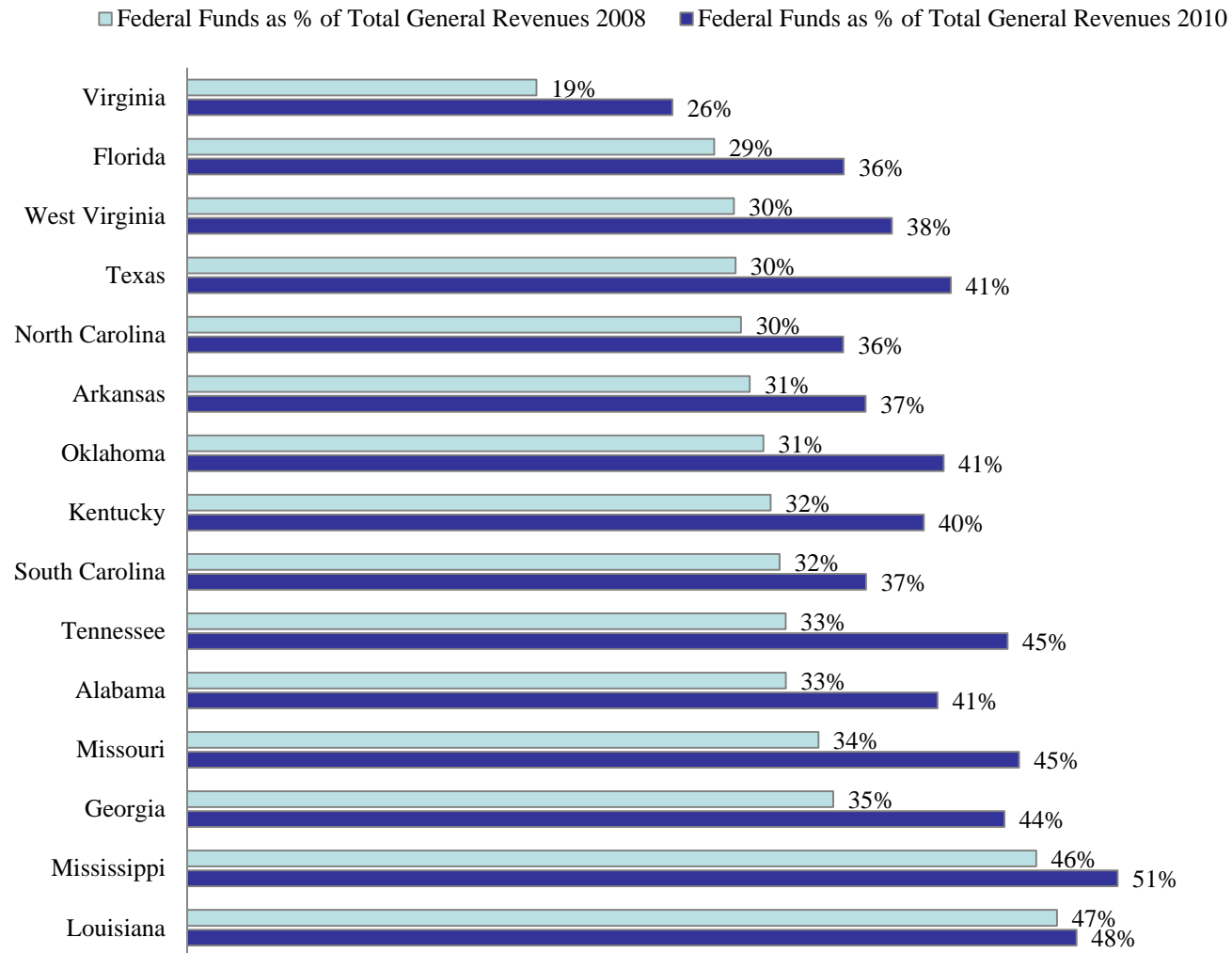
	OPEB Liability	% Funded	Unfunded Liability	Unfunded Liability per Capita
Alabama	\$14,919,073	5%	\$14,173,119	\$2,965
Arkansas	\$1,865,809	0%	\$1,865,809	\$640
Florida	\$3,742,846	0%	\$3,742,846	\$199
Georgia	\$20,284,637	4%	\$19,473,252	\$2,010
Kentucky	\$8,754,555	15%	\$7,441,372	\$1,715
Louisiana	\$11,512,100	0%	\$11,512,100	\$2,539
Mississippi	\$727,711	0%	\$727,711	\$245
Missouri	\$3,321,637	3%	\$3,221,988	\$538
North Carolina	\$33,814,515	3%	\$32,800,080	\$3,440
Oklahoma	\$359,800	0%	\$359,800	\$96
South Carolina	\$9,667,187	5%	\$9,183,828	\$1,986
Tennessee	\$1,746,879	0%	\$1,746,879	\$275
Texas	\$53,890,544	1%	\$53,351,639	\$2,122
Virginia	\$5,830,000	26%	\$4,314,200	\$539
West Virginia	\$6,362,640	4%	\$6,108,134	\$3,296
US State Average		8%		\$2,064
SLC State Average		4%		\$1,507

Source: The Pew Center on the States, The Widening Gap: The Great Recession's Impact on State Pension and Retiree Health Care Costs, April 2011.

Major Themes

- Long term drain on state resources
- States have made over optimistic assumptions about investment returns
- Changing GASB rules for reporting pension liabilities will show substantially more underfunding in pensions

Federal Funds as % of Total General Revenues in 2008 & 2010



Federal Revenues as Part of Overall State Revenues

	2008			2010		
	Total General Revenue	Federal Revenue	As % of Total	Total General Revenue	Federal Revenue	As % of Total
Alabama	\$21,974,135	\$7,146,041	33%	\$22,989,680	\$9,369,725	41%
Arkansas	\$14,761,215	\$4,511,363	31%	\$16,221,062	\$5,978,147	37%
Florida	\$67,717,478	\$19,387,198	29%	\$71,341,309	\$25,447,682	36%
Georgia	\$36,671,549	\$12,871,216	35%	\$36,479,685	\$16,193,428	44%
Kentucky	\$20,850,510	\$6,609,307	32%	\$22,861,951	\$9,149,028	40%
Louisiana	\$29,869,122	\$14,111,261	47%	\$27,440,627	\$13,255,001	48%
Mississippi	\$16,530,098	\$7,623,193	46%	\$17,427,242	\$8,807,805	51%
Missouri	\$24,211,890	\$8,302,647	34%	\$26,111,659	\$11,798,319	45%
North Carolina	\$43,097,343	\$12,965,582	30%	\$44,057,698	\$15,698,831	36%
Oklahoma	\$17,826,212	\$5,581,072	31%	\$19,486,441	\$8,007,066	41%
South Carolina	\$20,519,359	\$6,603,842	32%	\$21,511,929	\$7,933,502	37%
Tennessee	\$25,178,170	\$8,187,338	33%	\$25,517,396	\$11,371,391	45%
Texas	\$98,974,974	\$29,487,222	30%	\$99,923,805	\$41,450,202	41%
Virginia	\$36,141,302	\$6,859,440	19%	\$37,103,065	\$9,779,654	26%
West Virginia	\$10,754,312	\$3,194,227	30%	\$11,561,249	\$4,426,116	38%

Source: US Census 2010 Annual Survey of State Government Finances.

Declining Federal Funds to States

- State operations are substantially financed by the federal government even prior to ARRA
- The dominant source of federal funds is Medicaid which makes up over 40% of federal grant in aid to states

Key Themes

- On average, the recent recession has accelerated state retrenchment in a number of policy areas
 - Slowed growth in education spending
 - Flat spending in transportation spending
 - Declining growth in higher education spending
- Medicaid is putting increasing pressure on state budgets
- Long term issues are the decline in federal funding and the growing burden of liabilities such as pensions and retiree health care